

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1692-02  
Bill No.: HCS for HB 760  
Subject: Health Care; Federal-State Relations; Medicaid; Taxation and Revenue-General  
Type: Original  
Date: April 10, 2015

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Bill Summary: This proposal extends the sunset date on various federal reimbursement allowances for three years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	(\$17,165,126)	(\$16,636,276)	(\$16,627,578)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$17,165,126)</b>	<b>(\$16,636,276)</b>	<b>(\$16,627,578)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Ambulance Provider Tax*	\$0	\$0	\$0
Nursing Facility Reimbursement Allowance Tax**	\$0	\$0	\$0
Hospital Reimbursement Allowance Tax ***	\$0	\$0	\$0
Pharmacy Provider Tax****	\$0	\$0	\$0
ICF/DD Provider Tax*****	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenditures of approximately \$21.5 million annually net to \$0.

\*\*Revenues and expenditures of approximately \$179 million annually net to \$0.

\*\*\*Revenues and expenditures of approximately \$1.1 billion annually net to \$0.

\*\*\*\*Revenues and expenditures of up to approximately \$57 million annually net to \$0.

\*\*\*\*\*Revenues and expenditures of approximately \$7.2 million annually net to \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenditures of approximately \$2.3 billion annually net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 190.839, 198.439, 208.437, 208.480, 338.550 & 633.401 - Provider Taxes and Section 208.482 - DSH Recoupment:**

Officials from the **Department of Social Services (DSS)** provide the following:

##### §190.839 - Ambulance Provider Tax

The proposed legislation allows the MO HealthNet Division (MHD) to collect \$21,522,747 in ambulance tax, which will allow MHD to draw in federal funds of \$37,159,116 in FY 2016. The FY 2016 budget submitted by the DSS assumed the ambulance tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$21,522,747 would be needed to continue the current level of services.

##### §198.439 – Nursing Facility Reimbursement Allowance Tax

The proposed legislation allows the MHD to collect \$179,230,616 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$309,442,438 in FY 2016. The FY 2016 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2016. If this proposed legislation does not pass, additional General Revenue funds of \$179,230,616 would be needed to continue the current level of services.

##### §208.437 - Managed Care Provider Tax

The MHD is not currently collecting the Managed Care Provider Tax. The federal sunset for the managed care organization reimbursement allowance was September 30, 2009. This section of the proposed legislation will not have an impact on MO HealthNet.

As the MHD is not currently collecting the Managed Care Provider Tax, **Oversight** is not including this tax in the fiscal note tables.

##### §208.480 - Hospital Reimbursement Allowance

The proposed legislation allows the MHD to collect approximately \$1,091,408,539 in Hospital FRA (Federal Reimbursement Allowance) tax, which will allow MHD to draw in federal funds of approximately \$1,884,321,589 in FY 2016. The FY 2016 budget submitted by DSS assumed the hospital tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$1,091,408,539 would be needed to continue the current level of services.

ASSUMPTION (continued)

§208.482 - DSH Recoupment:

MO HealthNet (MHD) assume this proposed language applies to hospitals that are Tier 1 and Safety Net Hospitals. There is an estimated state impact in Fiscal Years (FYs) 2016 through 2018 because MHD would not be able to recoup the Disproportionate Share Hospital (DSH) liabilities from such facilities, but would be required to reimburse the federal government for the federal share of the liabilities. The estimated impact for each FY is based on the results of the FY 2011 Independent DSH Audit; however, the federal share is calculated at a different percentage for each FY based on the year to which the DSH liability is related. Thus, the FY 2016 General Revenue (GR) impact is estimated at \$17,179,371; the FY 2017 impact is estimated at \$16,767,565; and the FY 2018 impact is estimated at \$16,760,792. MHD assumes the General Assembly will appropriate non-general revenue state funding to pay the federal government the federal share of these liabilities.

§338.550 - Pharmacy Provider Tax

The proposed legislation allows the MHD to collect \$57,039,249 in pharmacy tax, which will allow MHD to draw in federal funds of \$98,478,511 in FY 2016. The FY 2016 budget submitted by the DSS assumed the ambulance tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$57,039,249 would be needed to continue the current level of services.

§633.401 - Intermediate Care Facility for the Developmentally Disabled Provider Tax

The proposed legislation allows the MHD to collect approximately \$7.2 million in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of \$6.8 million in fiscal year 2016. The FY 2016 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the developmentally disabled tax would continue through FY 2016. If this proposed legislation does not pass, additional General Revenue funds of \$7.2 million would be needed to continue the current level of services.

Officials from the **Department of Mental Health (DMH)** state this proposed legislation extends the sunset on certain health care provider reimbursement allowance taxes from 2015 to 2018. Included in this proposal is the extension for the provider assessment for ICF/ID (Intermediate Care Facilities for the Intellectually Disabled) and hospitals. The DMH assumes no fiscal impact should the sunset be extended to 2018. The provider assessment for ICF/IDs generates approximately \$6.8 million in revenue for the DMH. The provider assessment for hospitals generates approximately \$15.6 million in additional revenues for DMH.

**Oversight** notes that the Department of Social Services (DSS) is the contact Department that works with the Federal government on Medicaid programs. Therefore, Oversight will use DSS provider tax numbers for the ICF/ID provider tax program.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning (B&P)** state this proposal will not impact Total State Revenue and the proposal will not impact the calculation under Article X, Section 18(e). The proposal extends the sunset on various provider taxes to September 30, 2018 and prohibits MO HealthNet from recovering disproportionate share hospital audit recoupments from a Tier I Safety Net Hospital and stipulates General Revenue shall not be used to offset the recoupments. B&P defers to DSS for any fiscal impact.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Health and Senior Services**, the **Department of Revenue, Division of Taxation** and the **Office of State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b> (\$208.482)			
<u>Costs - DSS-MHD</u>			
Tier I and Safety Net hospital DSH recoupment payments (annual payment)	<u>(\$17,165,126)</u>	<u>(\$16,636,276)</u>	<u>(\$16,627,578)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$17,165,126)</u></b>	<b><u>(\$16,636,276)</u></b>	<b><u>(\$16,627,578)</u></b>

**FISCAL IMPACT - State Government**  
**(continued)**

**FY 2016**  
**(9 months)**

**FY 2017**

**FY 2018**

**AMBULANCE PROVIDER TAX  
 FUND (\$190.839)**

**Income - DSS**

Assessment on Medicaid  
 ambulance  
 organizations

\$16,142,060

\$21,522,747

\$21,522,747

**Costs - DSS**

Medicaid program costs

(\$16,142,060)

(\$21,522,747)

(\$21,522,747)

**ESTIMATED NET EFFECT ON  
 AMBULANCE PROVIDER TAX  
 FUND**

**\$0**

**\$0**

**\$0**

**NURSING FACILITY  
 REIMBURSEMENT  
 ALLOWANCE TAX FUND  
 (\$198.439)**

**Income - DSS**

Assessment on Medicaid nursing  
 facility organizations

\$134,422,962

\$179,230,616

\$179,230,616

**Costs - DSS**

Medicaid program costs

(\$134,422,962)

(\$179,230,616)

(\$179,230,616)

**ESTIMATED NET EFFECT ON  
 NURSING FACILITY  
 REIMBURSEMENT  
 ALLOWANCE TAX FUND**

**\$0**

**\$0**

**\$0**

**FISCAL IMPACT - State Government**  
**(continued)**

FY 2016  
 (9 months)

FY 2017

FY 2018

**HOSPITAL REIMBURSEMENT  
 ALLOWANCE FUND (\$208.480)**

**Income - DSS**

Assessment on Medicaid hospital  
 organizations

\$818,556,404

\$1,091,408,539

\$1,091,408,539

**Costs - DSS**

Medicaid program costs

(\$818,556,404)

(\$1,091,408,539)

(\$1,091,408,539)

**ESTIMATED NET EFFECT ON  
 HOSPITAL REIMBURSEMENT  
 ALLOWANCE FUND**

**\$0**

**\$0**

**\$0**

**PHARMACY PROVIDER TAX  
 FUND (§ 338.550)**

**Income - DSS**

Assessment on Medicaid pharmacy  
 organizations

\$42,779,437

\$57,039,249

\$57,039,249

**Costs - DSS**

Medicaid program costs

(\$42,779,437)

(\$57,039,249)

(\$57,039,249)

**ESTIMATED NET EFFECT ON  
 PHARMACY PROVIDER TAX  
 FUND**

**\$0**

**\$0**

**\$0**

**ICF/ID PROVIDER TAX  
 (\$633.401)**

**Income - DSS**

Assessment on Medicaid ICF/DD  
 organizations

\$5,400,000

\$7,200,000

\$7,200,000

**Costs - DSS**

Medicaid program costs

(\$5,400,000)

(\$7,200,000)

(\$7,200,000)

**ESTIMATED NET EFFECT ON  
 ICF/ID PROVIDER TAX FUND**

**\$0**

**\$0**

**\$0**

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (9 months)	FY 2017	FY 2018
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**FEDERAL FUNDS**

Income - DSS

Assessment on Medicaid ambulance organizations (§190.839)	\$27,869,337	\$37,159,116	\$37,159,116
Assessment on Medicaid nursing facility organizations (§198.439)	\$232,081,829	\$309,442,438	\$309,442,438
Assessment on Medicaid hospital organizations (§208.480)	\$1,413,241,192	\$1,884,321,589	\$1,884,321,589
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$73,858,883	\$98,478,511	\$98,478,511
Assessment on Medicaid ICF/DD organizations (§633.401)	<u>\$5,100,000</u>	<u>\$6,800,000</u>	<u>\$6,800,000</u>
Total <u>Income - DSS</u>	<u>\$1,752,151,241</u>	<u>\$2,336,201,654</u>	<u>\$2,336,201,654</u>

Costs - DSS

Medicaid program costs	<u>(\$1,752,151,241)</u>	<u>(\$2,336,201,654)</u>	<u>(\$2,336,201,654)</u>
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**ESTIMATED NET EFFECT ON  
FEDERAL FUNDS**

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (9 months)	FY 2017	FY 2018
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<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

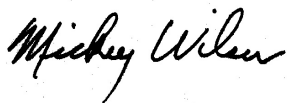
### FISCAL DESCRIPTION

This proposal extends the sunsets from September 30, 2015 to September 30, 2018, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Intellectually Disabled Reimbursement Allowance Taxes. The MO HealthNet division cannot recover disproportionate share hospital audit recoupments from Truman Hospital when an intergovernmental transfer was used for the nonfederal share of its disproportionate share hospital payments.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Mental Health  
Department of Revenue  
Department of Social Services -  
    MO HealthNet  
Office of Administration -  
    Division of Budget and Planning  
Office of Secretary of State  
Office of State Treasurer



Mickey Wilson, CPA  
Director  
April 10, 2015

Ross Strobe  
Assistant Director  
April 10, 2015